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Packaging Costa Rican beef

Record Beef—Veal Trade in 1977

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In this issue:

This week's cover:

Packaging Costa Rican beef for export. Costa Rica and several other Central American nations will be exporting more beef and veal this year than last, contributing to prospects for record world exports. See article beginning on page 3.

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Ambassador Strauss: On Trade

". . . we will pursue a policy of the most open possible trade—with the stipulation that it must also be fair," said Robert S. Strauss last month in his first official statement as U.S. Special Representative for Trade Negotiations. Other highlights. . . .

Over a very long span of centuries, nations have been sending negotiators to the negotiating tables of the world. Out of these sessions there has come much experience, much institutionalized expertise in the subtleties, nuances, and complexities of trade.

Yet for all the vast store of such expertise accumulated around the world, there has not yet emerged a trading system within which the potentials of trade can be fully realized.

The source of that shortcoming is not the inadequacy of international good will—but rather it most often stems from the inability of national political leaders to address and deal with challenges arising from the domestic sector, and exercise the political will to give their peoples an understanding of the benefits of trade. It is more true today, in my opinion, than at any time in modern history.

The United States is not protectionist. Nor do we believe in allowing others the unfettered freedom to destroy our producers and our work force through predatory pricing, government subsidization, or other unfair methods of competition.

But we will not close our borders in order to maintain inefficiency and lack of competitiveness. That cure only fosters the disease. Where imports cause injury, short-term measures may be justified in exceptional circumstances to allow a time for adjustment.

I met with Prime Minister Fukuda in Tokyo 2 weeks ago, and he shared fully our hopes and fears on where the Western economies are headed. He recalled the London Economic Conference of the thirties, which he noted was a failure, although it did not end in failure.

The nuance here is that the Conference never ended, it just recessed, never to be reconvened.

We have Multilateral Trade Negotiations in Geneva. These talks are stalled. Some leaders call for all us to bail out, call it quits, settle for less. We will not do so.

Based on an April 25 speech before the Trade Policy Research Center, London.

Instead, we will insist that a world beset by an energy crisis, resultant debt problems, and high rates of inflation and unemployment cannot be a house divided against itself when it comes to trade, for then it cannot stand.

I do not wish to oversell the importance of the trade talks. These talks will not result in an immediate increase in the availability of fuel, of food to the hungry, or create immediate prosperity for the least developed countries.

But let us not undersell these trade talks either. We will substantially reduce tariff and nontariff barriers to trade, we will regulate and reduce the creation of new barriers, and we will thereby reduce the economic conflicts between nations.

Some of the chief trade problems that we have today are simply failures of our current trading system to resolve conflicts, or even provide adequate means for doing so. This, the Multilateral Trade Negotiations can and will change. And the United Kingdom, the United States, and others will be far better off for it, despite short-run domestic pressures.

I think it is vital that every interested party know what the approach of this Government will be. Not that we shall answer every problem with the exact same kind of solution—we will find the solution that is best in each case; we must be creative, and there will necessarily be variations. But we pursue a policy of the most open possible trade—with the stipulation that it must also be fair.

President Carter brings to the United States Government a growing business tool called "zero-based budgeting." In this system, no existing program is considered indispensable; rather, each program must be approached as though nothing existed before—is there a real need? And if so, how do we meet it? The old program may or may not be the answer.

We are, in a broad sense, doing some zero-based thinking about all of our domestic and international affairs in the United States today. In the field of

and the MTN

trade, for instance, we seek a renewal without change of the Multi-Fiber Agreement (MFA). We seek this not simply because the MFA is expiring at the end of the year, but because we have asked is it necessary . . . if there were nothing, how would we go about solving the problem of textile trade? The answer would be to set up an internationally agreed framework within which individual bilateral agreements can be reached. Therefore, if the MFA did not exist, we would have to invent it.

This is the kind of thinking that is going on in America, and it comes because the people want it.

I spent much of my time traveling through our States in the last 4 years, and what I heard all the time was not so much a call for less government—but for better, more careful government.

And what may seem to be a call for isolation is in my view really a plea for

Continued on page 9

Strauss Gives Support To Agriculture in MTN

At his April 22 press conference in Brussels—the first there after his appointment as Special Trade Representative—Ambassador Strauss stressed the need to get moving on the Multilateral Trade Negotiations (MTN) and to keep agricultural and industrial negotiations together. Said Strauss:

". . . one of the things that has concerned us in America a great deal has been the feeling that in the Kennedy Round agriculture was left behind. I am not prepared to pass judgement on whether it was or wasn't, and if it was, the reason for it. I think that our conversations today and the conversations Mr. Gundelach (European Community Commissioner of Agriculture) had in Washington, just prior to my appointment, were enlightening, informed, pragmatic, and recognized the fact that agriculture and industrial problems must be treated together. I think there is a realization on the part of everyone that this is the only approach, and that I find very heartening."

New Record Forecast for Beef-Veal Trade in 1977

FOREIGN COMMODITY ANALYSIS—
Dairy, Livestock, and Poultry
Foreign Agricultural Service

World beef and veal exports may hit a new high in 1977, with all major exporting nations except New Zealand surpassing their 1976 records. And, despite the abundance of beef for export, 1977 may see an upturn in cattle prices from their recent lows, as combined production in the exporting nations slips below that of last year and producers rebuild herds diminished by heavy slaughter during the past few years.

According to April forecasts by the Foreign Agricultural Service, 1977 beef and veal shipments by the major exporters may rise to a record 2.33 million metric tons, carcass weight equivalent (CWE), from the previous record of 2.11 million last year and the 1975 level of 1.6 million. These top exporters include Australia, New Zealand, Central America, Mexico, Argentina, and Uruguay, which together account for more than 80 percent of world beef and veal trade.

Some ingenuity will be required on the part of exporters, however, to find new outlets for their increased supplies, since traditional markets—the United States, Canada, Japan, and the European Community—cannot absorb all of the export gain. Canada will be taking about 45,000 tons less beef and veal than in 1976 as a result of the tightening of its meat import regulations last fall. Japan and the United States will be importing only slightly more than in 1976, and the European Community may boost its 1977 imports by 54 percent to 300,000 tons. But this still adds up to a net gain of only 80,000 tons, out of an expected 225,000-ton increase in exportable supplies.

Oceania and Latin American exporters thus will be seeking buyers in Eastern Europe and the USSR, which last year bought heavily in the wake of its 1975 drought and consequent cutback in poultry and pork production. These exporters also will be attempting to expand sales to new markets recently developed in the Mideast and Africa.

While more beef and veal will be shipped in 1977, production in the major exporting countries will be about 120,000 tons under the record 1976 output of slightly over 6.9 million tons. This decline is anticipated mainly because of reduced cattle slaughter in New Zealand and Argentina following heavy herd reduction last year.

MAJOR IMPORTERS. Beef and veal imports by the United States in 1977 are forecast at 915,000 tons, CWE, down slightly from the 1976 level. Voluntary restraint agreements with major supplying countries will limit 1977 imports subject to the Meat Import Law (primarily frozen beef) to 581,000 tons, product weight (PW), or less than 872,000 tons, CWE. Imports of prepared and preserved beef and veal, mostly from Argentina and Brazil, are expected to be close to 1976 levels.

U.S. exports of beef and veal are seen rising to 45,000 tons, CWE, from 41,000 in 1976 as the U.S. share of the Japanese market increases. Together with Canada, Japan takes most of the high-quality beef and veal exported by the United States.

U.S. beef and veal production this year is expected to decline 3 percent to 11.7 million tons, CWE, from the high level of 1976, when depressed U.S. prices prompted heavy cattle slaughter. That slaughter dropped U.S. cattle and calf numbers as of January 1, 1977, to 122.9 million head, for declines of 4 percent from 1976 and 7 percent from 1975.

Canada's net imports of red meats this year are expected to drop almost by half from the 1976 record of 145,000 tons, CWE, as a result of reduced entries of fresh, chilled, or frozen beef. Such imports are being limited by quotas to 66,000 tons, PW, compared with 96,000 in 1976, allocated as follows: Australia, 41 percent; New Zealand, 42 percent; and the United States, the remainder.

Also, in accordance with an exchange of notes between the Canadian and U.S.

Governments, Canada's exports of beef to the United States will be held to 34,000 tons, PW, in 1977. This is 2,500 tons below 1975 shipments, whereas Canada's imports from the United States will be slightly above those of 1976.

In contrast, import quotas for Australia and New Zealand are off 35 and 20 percent, respectively, from the 1976 levels. And late-1976 imports of Oceania beef in excess of Canadian quotas imposed on October 18, 1976, have been deducted from the 1977 quota.

Because of this import reduction, plus reduced marketing of cows following 2 years of herd reduction. Canada's exports of live cattle to the United States are expected to fall by at least 50,000 head in 1977 from the 450,000 of 1976.

The herd reduction of last year culminated in a 3.7 percent drop in Canadian cattle numbers as of January 1, 1977, and prospects for a 4 percent decline in 1977 beef and veal production to 1.1 million tons. But with herd reductions now tapering off, only a modest 185,000-head decline is seen for cattle numbers this year.

European Community (EC) imports of beef and veal in 1977 are forecast at 300,000 tons, CWE, about 50 percent higher than in 1976 but well below levels prior to tightening of EC import controls in 1974. The Community's new import regulations, effective April 1, eliminate the "jumelage" linked-sales program used last year to limit imports. However, the regulations retain the variable levy system and add to it a provision allowing the basic import levy to rise as much as 114 percent when cattle reference prices fall below specified levels.

SINCE EC cattle reference prices are low in relation to the guide price, and likely to remain so throughout most of 1977, the EC levy on beef imports is expected to be applied at a relatively high percentage during the rest of 1977. Furthermore, the EC has adopted a 3.5 percent increase in the guide price for cattle effective May 1.

To offset the EC deficit in processing meat, the EC Council has approved reduced levies for the import of 75,000 tons, CWE, of meat for processing.

EC exports of beef and veal are forecast at 100,000 tons, CWE—43 percent below those in 1976 but closer to levels of the early 1970's. Neither Ireland nor the United Kingdom is expected to export beef to the United States this year because of U.S. countervailing duty action that offsets the EC subsidy on boneless beef exports to the United States.

Above, Brahman-Zebu heifers in Costa Rica—one of the big Central American producers and exporters of beef. Left, beef carcasses in Australian slaughterhouse.

Because yearend cattle inventories in several EC countries were higher than earlier anticipated, EC beef and veal production is forecast at 6.2 million tons. This is 2 percent above the January 1 forecast but still more than 4 percent under the 1976 level. Cattle slaughter is expected to decline 4-5 percent in 1977, with most of the reduction in France, Ireland, the United Kingdom, and West Germany.

Japan in 1977 is expected to import 142,000 tons of beef and veal, CWE, compared with 129,000 last year. The United States, which supplied 12 percent of imports last year, could account for 15 percent of the 1977 total.

Beef and veal output in Japan this year is estimated up 10 percent to 320,000 tons. Another small increase is seen for cattle numbers, which rose 4 percent to 3.87 million head during 1976.

The **USSR** this year is not expected to match its unusually large 1976 purchases of 275,000 tons, PW, of beef and veal. However, it will import enough to provide opportunities for exporters attempting to diversify shipments away from traditional markets. Through March, the USSR had contracted for 100,000 tons of meat—mostly beef and veal—for delivery in the first 6 months of this year.

With cattle inventories on the rise following some herd liquidation caused by the 1975 drought, the USSR is expected to boost its cattle slaughter this year. As a result, Soviet beef and veal production is forecast to rise 5 percent over that of 1976 to 6.7 million tons, CWE.

Eastern Europe, still suffering the effects of last summer's severe drought, is in a weaker position than the USSR and faces another possible tight meat supply situation this summer. Consequently, East European countries are expected again to supplement domestic meat supplies with imports.

Cattle industries in Eastern Europe (not including Yugoslavia) also will reflect the effects of last year's drought as producers attempt to rebuild herds, and beef and veal production declines somewhat from the 2.7 million tons, CWE, of 1976. Cattle numbers there as of January 1, 1977, are estimated at 38

million head—down 1 percent from the previous year's.

Yugoslavia—the region's largest exporter of beef and veal—will have more to export than in 1976. Current forecasts place production at 335,000 tons, CWE—for a 12 percent gain from last year's—and exports at 70,000 tons, PW —for a 13 percent increase. Most of these exports go to the European Community and the Mideast.

MAJOR EXPORTERS. The world's largest exporter of beef and veal, **Australia** is expected to ship 1 million tons, CWE, of beef and veal this year, compared with 860,000 in 1976.

As in the past, Australia will export much of this meat to North America —and the United States in particular. Its share of the U.S. market under the U.S. voluntary restraint program stands at 296,000 tons PW, up 9,445 tons from 1976's. But this small increase will be offset by a 28,000-ton decline in shipments to Canada as a result of that country's quota restrictions.

Thus, Australian beef exports to North America are firmly set some 30,000 tons, PW, below those of 1976.

Australian exporters will have to look beyond Japan and the European Community, as well, since those markets also will be taking little more than they did in 1976.

Beef exports to Japan in 1977 are forecast at 75,000 tons, PW, compared with 72,000 in 1976—and this is contingent on import quotas set by the Japanese Government. Also, the United States—with a renewed promotional effort to sell grain-fed, chilled beef in Japan—may offer Australia more competition this year.

Beef shipments to the EC this year are projected at 30,000 tons, PW—a little more than double the low level of 1976.

Because of these limitations in traditional markets, Australia is turning its attention to the USSR and Eastern Europe. Eastern Europe, still feeling the effects of last year's drought, could take upwards of 70,000 tons of beef, PW, in 1977, and since mid-December 1976, Australia has sold 54,500 tons to the USSR for 1977 delivery.

Exports of beef to the Mideast, Southeast Asia, and the Far East (except Japan) are expected to total about 54,000 tons, PW, in 1977, compared with 61,000 in 1976, and exports to other countries are projected at 75,000 tons, against 78,000 in 1976.

These export forecasts are based on the assumption that beef production in 1977 will rise 5 percent above that of 1976 to 1.9 million tons, CWE.

With cattle and calf slaughter seen dipping 6 percent from last year's to a little over 10 million head, this production gain is coming from a big increase in average slaughter weights over the low levels of 1976. Last year's severe drought forced the highest rate of slaughter for female cattle and calves since the mid-1960's, contributing both to high slaughter rates and unusually low slaughter weights.

Improvement in the weather since late 1976 has brought a halt to this herd liquidation, and the situation should stabilize in 1977, barring a deterioration in pasture conditions.

Cattle numbers, meantime, are estimated at 32.5 million head as of March 31, 1977, for a 634,000-head decline from the year-earlier level. Another decline of 1-2 million head is expected by that time next year as a result of the 1976 herd cutback.

Domestic consumption is forecast at last year's level of 923,000 tons, but could end up below that, given the relatively strong export market and higher domestic prices resulting from the 17.5 percent devaluation of Australia's currency against the U.S. dollar.

While Australia's beef and veal shipments increase, those from **New Zealand** will decline some 26,000 tons below the 1976 level to 218,600 tons, PW as a result of the sharp drop expected in the country's cattle slaughter this year.

Like Australia, New Zealand will find its primary, North American, outlet reduced as a result of the U.S. restraint program and lower Canadian import quotas. Exports to the United States currently are projected at 125,000 tons, PW, for a 5,000-ton decline from 1976's, while those to Canada will drop 10,700 tons to 27,500.

Declines of 9,000 and 8,000 tons, respectively, are also seen for shipments to the Mideast and the USSR, each of which is expected to take 10,000 tons, PW, this year. Shipments to the EC are projected to hold at last year's 10,000 tons, while those to the Far East and Southeast Asia are forecast to rise by 3,400 tons to 10,000.

The trade pullback comes as cattle producers withhold animals from market in anticipation of rising prices—and also to compensate for the herd liquidation of last year, when slaughter reached a record 3.9 million head. As a result of the turnabout, slaughter of adult cattle for export plunged 21 percent during the first quarter of the 1976/77 marketing year (October-December).

The final results expected: A beef and veal production of 500,000 tons, CWE, or 104,000 tons below that of 1976; domestic consumption of 187,000 tons (183,000 in 1976); and a cattle inventory of 9.6 million head (9.8 million).

Mexico, encouraged by more attractive U.S. prices and the peso devaluation, will boost its production and export of beef and veal this year. Current forecasts see its exports rising to 27,000 tons, PW ,from the 23,000 of 1976, with the majority of these exports moving to the United States.

In the first 3 months of 1977, Mexican beef exports to the United States averaged about 610 tons per week—more than 50 percent above year-earlier levels. However, exports of "maquila" beef (beef produced from U.S. cattle slaughtered in Mexico), during this period were less than 20 percent of the total, compared with 42 percent in the first quarter of 1976. The primary reason for the reduction was last fall's peso devaluation, which made this trade unattractive.

MEXICAN beef and veal production also will be up from 1976—by about 2.5 percent to slightly over 1 million tons, CWE—even though the nation started 1977 with cattle numbers off 600,000 head from the January 1, 1976, level. Numbers last year were down primarily in the northern States, which underwent some herd reduction during 1974 and 1975 when the important U.S. market was an unattractive outlet for Mexican beef. However, with last winter's rainy season reportedly the best in years, cattle in the north are now in good condition, making the increased production possible.

Beef and veal exports from **Central America** and **Hispaniola** also are expected to rise in 1977, but with some diversification away from the important U.S. market. Current projections place the region's total shipments in 1977 at 154,000 tons, PW, compared with 138,000 in 1976.

About 110,400 tons are preliminarily earmarked for the U.S. market, but actual shipments will have to fall some 20,000 tons below that level under provisions of the U.S. voluntary restraint

program. In addition, about 6,000 tons of beef in bonded storage in the United States at the end of 1976 will be deducted from the region's allocation.

Unlike most other exporting regions, Central America and Hispaniola continue to record gains in their cattle numbers. In the seven countries of Central America, numbers are seen rising 4 percent above the 1976 level to end 1977 at 11.8 million head. In the Dominican Republic—principal beef producer of Hispaniola—numbers rose 7.6 percent in 1976, and another gain is expected this year.

Beef production in all nine countries this year is estimated at 391,000 tons, CWE, for a 5 percent gain from 1976's, with cattle slaughter holding at 17 percent of the herd in Central America and 12 percent in the Dominican Republic.

In **Argentina,** beef and veal exporters are having trouble obtaining supplies at prices that will allow respectable profits in foreign markets, while Government concern about the impact of high-priced beef on the cost of living could lead to an increase in the export retention tax.

In light of this combination, Argentine beef and veal export prospects are dimming, and the country—initially expected to ship 650,000 tons this year—now may not even reach the April estimate of 600,000 tons. But if the 600,000-ton level is achieved, it will be 13 percent above shipments in 1976 and the highest since 1972.

Argentine cattle producers, on the other hand, have been encouraged by strong domestic prices to rebuild herds. These dropped by a little over 1 percent in 1976, to 58.4 million head as of January 1, 1977, for the second straight decline from the record 1975 level. As a result, Argentine beef and veal production is seen falling 7.5 percent in 1977 to 2.58 million tons, CWE.

Uruguay. Since the January 1 forecast, cattle slaughter in Uruguay has been revised downward slightly to 2 million head from 2.1 million reported earlier. Beef production also has been reduced—by 10,000 tons to 410,000 tons; and exports, by 10,000 tons to 210,000.

The peso price for cattle in Uruguay has been increasing, but these gains have been offset by continuing devaluation of the peso. Thus, in real terms, returns to producers have remained unchanged at between 22 and 26 cents per kilogram for live cattle.

WORLD COTTON PRICES STRONG, LOWER SUPPLIES NIP DEMAND

World cotton prices continue strong as supplies decline and consumption is limited by the reduction in supplies. World consumption exceeded production by 8 million bales in 1975/76 and is likely to exceed it by about 3.5 million bales in 1976/77. This will result in a drawdown in world stocks from a relatively high level of 30.2 million bales on August 1, 1975, to about 18.7 million bales on August 1, 1977. The latter would be the smallest stock level since 1962 and equal to less than 4 months' textile mill requirements.

Boosted by sharply larger exports, 1976/77 disappearance in the United States now seems likely to exceed production by around a million bales, meaning that stocks this July 31 may fall to around 2.8 million, the lowest level since 1952.

World cotton consumption in 1976/77 is expected to decline to about 61.1 million bales, 2 percent below the record 1975/76 level. Textile demand has softened with the general slowdown in world economic activity. While consumer demand for cotton textiles remains fairly strong, mills are faced with high cotton prices as well as increasing labor and other production costs.

These high cotton prices and limited supplies may lead to increased market penetration by manmade fibers this summer and fall. Cotton prices now are around 40 percent above those for competitive manmade staple. However, with larger cotton supplies in prospect for 1977/78, consumption will likely bounce back later in the season. For 1977/78 as a whole, U.S. mill use may total 6.5-7.5 million bales, compared with the current season's anticipated 6.75 million.

World production in 1976/77 is estimated at 57.6 million bales, down slightly from the earlier estimate. This downward revision is primarily the result of further deterioration in India's crop, which was hit by cold weather.

Assuming farmers follow through on their April intentions and abandonment is about normal, U.S. production could easily exceed 1976's 10.6 million bales. For instance, if yields turned out to be near last season's level of 521 kilograms per hectare, production would total 12-12.5 million bales.

The current relatively high prices and the need to replenish supplies are expected to encourage about a 6 percent increase in world planted cotton area in 1977/78. A larger increase might occur except that soybean prices also are high, and this is expected to moderate the increase in certain cotton areas of the United States and Brazil. World grain prices are relatively low, and some farmers in countries where the domestic price is determined by the world market price will shift from grain to cotton.

The largest increases in 1977/78 planted area are expected in Turkey (up 40 percent to 800,000 hectares), Mexico (up 50 percent to 375,000 hectares), and Colombia (up 35 percent to 410,000 hectares). In addition, Pakistan, which suffered a severe crop decline in 1976/77, is expected to show a sizable increase in production next year.

High cotton prices are also spurring sharply larger U.S. planting for the 1977 crop. Farmers indicated April 1 intentions to plant 5.5 million hectares, 800,000 above 1976 plantings and the highest level since 1974.

These planting intentions represent a 300,000-hectare increase from January plans, chiefly reflecting a shift from grain sorghum to cotton in Texas as a result of relatively higher cotton prices.

However, intense price competition from soybeans is restricting total planned cotton area in the Delta and Southeast to near last season's levels and could lead to further cotton area losses in the Delta.

In addition, a great deal of uncertainty still surrounds 1977 planted area in view of the water shortage in the San Joaquin Valley and scattered adverse planting weather in some areas.

Both India and Egypt, cotton producing countries, are important importers this crop year. India normally imports some cotton, but 1976/77 imports could surpass 800,000 bales compared with a 1970/71-1974/75 average of 390,000 bales. Egypt purchased 110,000 bales from the United States on commercial terms. —FOREIGN COMMODITY ANALYSIS, COTTON, FAS

Canada's Pacific Ports Hold Promise for Grain Exports

By CAROL E. BRAY
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THE CANADIAN GOVERNMENT has potential for expanding Asian-bound grain exports through its Pacific coast ports. These ports, such as the one in Vancouver, have certain advantages over U.S. grain shipping ports, but obstacles to increase shipments are many, and overcoming them depends on expansion of port facilities—a move that may be difficult.

According to the Canada Grains Council (CGC), the cost of transporting Canadian grain overland to port is considerably below that of moving grain the same distance within the United States. Where inland distance traveled is equal, Canadian grain shipped to Japan through the port of Vancouver enjoys an inland transportation cost advantage over U.S. grain shipped to Japan.

The lower cost of overland grain transportation in Canada is primarily the result of the Crow's Nest Pass rate—a statutory rate for export grain of 0.5 cents per ton-mile. This rate has not changed significantly since it was instituted at the end of the 19th century.

In addition, the cost of transporting ocean freight from Vancouver to Japan is less than from other Canadian ports.

Vancouver, Canada's major Pacific coast port, has several advantages over eastern Canadian ports:

- Vancouver remains open year-round, while Thunder Bay and the ports along the St. Lawrence Seaway are closed during winter months;
- Vancouver can handle large ocean-going ships; grain shipped via Thunder Bay must be transported down the St. Lawrence Seaway in small lakers, and then transferred to large oceangoing ships on the other side of the Seaway.

However, expanding export shipments through Pacific coast ports is limited by port capacity. Between 1965/66 and 1974/75, an average of 41 percent of all Canadian grain and oilseed exports went through Pacific coast ports. The CGC has projected that by 1985, this percentage will increase to 55 percent.

In 1976, six grain terminals were operating on the Canadian Pacific coast—one each in Victoria and Prince Rupert, and four in Vancouver. Combined, these terminals had a storage capacity of 975,000 cubic meters of grain, and handled approximately 9.6 million cubic meters of grain in 1975/76. However, the terminal in Victoria was closed December 31, 1976, decreasing total handling capacity to 9.3 million cubic meters.

The CGC has projected that by 1985, the port terminals should be capable of handling 13.6-14.5 million cubic meters annually. To meet this projected volume, the terminals will have to expand by 46-56 percent, either through increased efficiency or capacity.

One of the main constraints on increasing efficiency, according to the CGC, is the ability to clean grain, given present export standards. Significant gains in efficiency could be achieved if the standards for foreign material in export grain were relaxed. (The Canadian standard for No. 2 Canadian Western Red Spring Wheat, for example, allows a maximum of only 0.6 percent foreign material; the U.S. standard permits 1 percent foreign material for a comparable grade.)

Underutilization of elevator storage space is another constraint on increased efficiency. Storage of diverse grains, grades, protein levels, and grain by-products—requiring segregation by variety—contribute to this problem. Only 46.7-64.1 percent of the elevator storage space is actually being used for the six major grains and oilseeds—wheat, oats, barley, rye, rapeseed, and flaxseed. Consolidation of grades or increased specialization by grain in the terminal elevators may be a means to expand the utilization of elevator storage capacity.

Labor stability will be a significant factor in any attempted increase in the volume of exports through Vancouver. Labor problems in the past few years have significantly affected the capacity of the port of Vancouver.

Expansion of grain shipments through Vancouver will require considerable investment in the rail facilities that link the port to the prairies. All grain shipped to Vancouver from the prairies must move through the Rocky Mountains and the Western Canadian coastal ranges. Steep rail grades through the mountain passes require a high proportion of energy input for the movement of each carload and limit the volume and weight that can be shipped per train. In addition, while the port of Vancouver may remain open all year, the rail lines through mountain passes are periodically blocked by heavy snowfall during the winter months.

Rail traffic within the port itself is extremely congested, particularly along the waterfront, and there is little room for expansion. Also, the main railyards are located some distance away from the terminals along the Fraser River.

Railroad companies have indicated that major increases in their port facilities in Vancouver are physically difficult and uneconomical, and expansion can be achieved only if additional grain terminals were located away from the city and major areas of congestion.

As a result of the losses sustained by the railroads in transporting grain, there is little incentive to invest in rail facilities in Canada.

The Canadian grain handling system requires a greater share of railroad capacity than is necessary for moving similar quantities of other bulk commodities. Shipments of bulk commodities such as coal or potash originate from specific areas, whereas grain originates from points scattered throughout the prairies.

Canadian grain must also be segregated by grain and type, and small-lot shipments are the rule, rather than the exception. Grain is delivered to elevators on the basis of its quality, which requires additional handling at the port.

Two major studies currently are being conducted by the Canadian Government to investigate various aspects of Canadian rail grain transportation, and it is expected that changes in the present grain handling system in Canada will be made on the basis of these reports. If these changes include an increase in the statutory freight rate for Canadian grain, the cost of moving grain to port for export would increase, offsetting one of the present cost advantages associated with shipment of grain through Pacific ports to Asian countries.

Soybeans and Cotton Boost U.S. Agricultural Exports

By SALLY E. BREEDLOVE
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THE TOTAL value of U.S. agricultural exports during the first 6 months of fiscal 1977 was $12.7 billion, up from $11.8 billion during the same months a year earlier.

Striking increases were recorded for export values of soybeans, cotton, animal products, vegetables, vegetable oils, protein meal, and other prepared animal feeds.

These increases more than offset a drop in wheat exports and a decline in the export unit value for grains. For the 6-month period, the export quantity index was up 5 percent and the price index up 3 percent.

U.S. agricultural imports during October-March were valued at $6.45 billion, 30 percent above the year-earlier level. Green coffee imports were up 114 percent in value to $2.07 billion, with the volume marginally lower. Imports of coffee preparations also doubled in value.

U.S. sugar imports rebounded sharply for the 6-month period, but the import unit value of $203 per metric ton was 58 percent of the year-earlier level.

Meat import volume was down 6 percent from the year-earlier level.

Developed countries accounted for much of the increase in U.S. export value during October 1976-March 1977, expanding 23 percent to $8.38 billion.[1] Large increases were recorded in exports to Western Europe, Japan, and Canada.

Economic recovery has strengthened demand for many U.S. farm products in these countries. Last summer's drought in Europe led to dramatic increases in imports of U.S. feedgrains and animal feeds, and high imports of soybeans and meal were maintained despite the higher prices. In fact, higher soybean prices added about $500 million to the import bill of the developed countries, which usually take about nine-tenths of U.S. soybean exports.

U.S. agricultural exports to Japan jumped 26 percent in value during October-March. This growth was predominantly a result of increased export volume for feedgrains and increased volume and unit values for cotton, soybeans, and cattle hides.

Increases in shipments to some developing countries were offset by declines elsewhere. U.S. agricultural exports to the developing countries of East and Southeast Asia were up a fifth in value during the first 6 months of fiscal 1977—a result of higher prices and expanded volumes of shipments of cotton, corn, tobacco, and many minor commodities. U.S. exports to West Asia also were up markedly, with grain shipments up 58 percent in volume.

October-March U.S. agricultural exports to the Soviet Union dropped from $1.17 billion to $664 million. Shipments under the U.S.-USSR grain agreement totaled 3.5 million tons through March. Soviet imports of U.S. soybeans totaled 644,000 tons.

U.S. cotton exports (excluding linters) were up 64 percent in volume and 118 percent in value during October-March. This increase basically was a recovery from the low levels of the past 2 years. Japan was the largest market for U.S. cotton during the 6-month period, accounting for 589,000 running bales, more than double the year-earlier volume.

Cotton shipments to Hong Kong, Canada, Italy, Spain, the United Kingdom, and Switzerland were well above last year's depressed levels. Shipments of 137,000 bales were made to India and of 80,000 bales to Egypt. U.S. cotton exports to Korea and Taiwan were down about a tenth. The export value was $355 per bale, a third more than in the same period a year earlier.

During the first 6 months of fiscal 1977 U.S. soybean exports totaled 9.62 million tons, 7 percent above the year-earlier level. The export unit value was $259 per ton, compared with $197 last year.

Significant shifts were made among the leading soybean markets. The Soviet Union and Mexico accounted for most of the increase, and soybean shipments also rose substantially to France, West Germany, the United Kingdom, and Japan. U.S. soybean exports were smaller to Taiwan, the Netherlands, Belgium, and Italy.

The October-March export volume of oilcake and meal and vegetable oils also was larger. The oilmeal export unit value was up 40 percent from that of a year earlier, and the total vegetable oil unit value was about unchanged.

Sharply higher oilmeal shipments to Japan, Mexico, and Eastern Europe were offset in part by reduced shipments to Western Europe. The increase in U.S. vegetable oil shipments was largely accounted for by increases in India, Peru, and Iran.

U.S. exports of animals and animal products totaled $1.31 billion in October-March, 26 percent above the year-earlier level. Higher unit values for cattle hides, at 45 percent above the previous year's totals, were the largest single factor. Quantity increases were recorded for exports of animal fats and oils, furskins, chicken meat, and nonfat

[1] Data not adjusted for transshipments through Canada and Western Europe.

dry milk during the six-month period.

In the face of plentiful world supplies and stiff competition, October-March U.S. wheat exports fell to two-thirds of last year's volume. Export volume plummeted to the USSR, South America, the European Community (EC), South Asia, and Eastern Europe. However, shipments to Japan and the developing countries of East and Southeast Asia were down marginally, and wheat exports were up 24 percent to Africa and 84 percent to West Asia.

During the first 6 months of fiscal 1977, U.S. feedgrain exports were 7 percent above the year-earlier volume. Shipments to the EC were up 61 percent; to Japan, up 59 percent; and to Korea, up 123 percent.

Thus, declines of 4.3 million tons to the USSR, 560,000 tons to Mexico, and 499,000 tons to India were more than compensated for.

October-March U.S. rice exports were 27 percent above the reduced year-earlier volume. Iran, Indonesia, and Nigeria accounted for much of the increase. No rice was shipped to Bangladesh during the 6-month period, and shipments to Korea and Italy were reduced sharply.

The value of U.S. exports of unmanufactured tobacco increased marginally during October-March, but export volume was down 5 percent. Both value and volume of smoking tobacco in bulk were down from year-earlier levels.

The developing countries have become a growth market for U.S. tobacco. During October-March, exports to these countries were up 24 percent in volume. The major developing markets are Thailand, Taiwan, Egypt, and the Philippines.

Exports to the developed countries declined 12 percent in volume. Shipments to Japan, the largest country market, were 15 percent below those of a year earlier, and shipments were down 30 percent to the United Kingdom, the second most important U.S. market.

U.S. exports of vegetables, nuts, and fruits continued to expand during October-March. Most of the increase was in shipments to the largest U.S. markets—Canada, Western Europe, and Japan. U.S. potato exports were double the year-earlier value, and strong growth was realized in exports of many other fresh and processed vegetables.

U.S. AGRICULTURAL EXPORTS: VOLUME BY COMMODITY, OCTOBER-MARCH

Commodity	1973/74	1974/75	1975/76	1976/77	1976/77 Change
	1,000 M.T.	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*	*Percent*
Wheat and products	15,575	14,651	16,083	10,874	−32
Feedgrains and products	20,831	19,875	25,520	27,355	+ 7
Rice	899	1,266	845	1,042	+23
Soybeans	9,299	7,034	8,983	9,617	+ 7
Oilmeal	2,821	2,213	2,356	2,501	+ 6
Vegetable oils	460	640	453	605	+33
Cotton, excluding linters	700	428	312	515	+64
Tobacco	165	168	176	168	− 5
Total	50,750	48,385	54,728	52,677	− 4

U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY, OCTOBER-MARCH

Commodity	1973/74	1974/75	1975/76	1976/77	1976/77 Change
	Mil. Dol.	*Mil. Dol.*	*Mil. Dol.*	*Mil. Dol.*	*Percent*
Animals and animal products:					
Dairy products	32	53	41	70	+71
Fats, oils, and greases	247	250	193	261	+35
Hides and skins, excl. fur skins	261	225	307	452	+48
Meats and meat products	181	170	290	298	+ 3
Poultry and poultry products	79	61	104	140	+35
Other	170	103	105	92	−12
Total animals and products	970	862	1,040	1,313	+26
Grains and preparations:					
Feedgrains and products	2,261	2,920	3,074	3,038	− 1
Rice	433	558	284	312	+10
Wheat and major wheat products	2,595	2,769	2,558	1,434	−44
Other	76	65	70	74	+ 6
Total grains and preparations	5,365	6,312	5,986	4,858	−19
Oilseeds and products:					
Cottonseed and soybean oil	175	423	165	271	+64
Soybeans	2,100	1,982	1,771	2,495	+41
Protein meal	643	390	391	515	+32
Other	207	286	252	269	+ 7
Total oilseeds and products	3,125	3,081	2,579	3,550	+38
Other products and preparations:					
Cotton, excluding linters	705	531	367	802	+118
Tobacco, unmanufactured	436	550	600	614	+ 2
Fruits and preparations	306	303	343	368	+ 7
Nuts and preparations	120	104	113	134	+19
Vegetables and preparations	228	311	291	388	+33
Other	375	418	480	672	+40
Total products and preparations	2,170	2,217	2,194	2,978	+36
Total	11,630	12,474	11,799	12,699	+ 8

Ambassador Strauss

Continued from page 3

judgement in our foreign affairs; and what may seem to be a demand for protectionism is really a plea that we show our concern for domestic hardships, and bargain in good faith with and for our own people. What the people want is a government that cares, and that shows some common sense.

Certainly there are pragmatic problems that must be dealt with pragmatically . . . short-term problems that involve tough, unpopular, and often nonconstructive tradeoffs and compromises.

In this climate, it is my intention to strive to assure that our domestic politics will be sound and responsible to our electorate as well as be a constructive and meaningful influence in strengthening the base of U.S. participation in an enlightened, fair, and progressive world trading system.

I believe there is in the United States today what President Carter has characterized as "a new spirit" that we can involve and affect the role of the United States at the trading tables of the world.

At those tables, we will bring no prejudices and, I hope, make no enemies. Therefore, I would express the hope that when we come together we can help ignite a new spirit of determination to move forward toward trade objectives that best serve us all.

Australian Apple and Pear Export Earnings Down

FACED WITH A RECORD Northern Hemisphere apple crop, large carryovers, and strong competition from other Southern Hemisphere apple and pear producers, Australian fruit exporters and some importers suffered sizable cuts in earnings in 1976, but there is no indication Australia will lessen its export activities.

Because income was lower than Stabilization Fund guarantees, apple and pear exporters lost heavily on all at-risk shipments, especially those to the United Kingdom and Europe. Total stabilization payments for apples are expected to reach $A3.89 million ($A1=US$1.085) for 2.4 million bushels,[1] and for pears about $A280,000 for 593,513 bushels.

Despite the income losses, Australia has indicated its determination to recapture its former share of world markets by recently introducing legislation for a levy on domestic and export sales of apples and pears to finance the activities of the Australian Apple and Pear Corporation. Previously the levy was against export shipments only.

Although much of the funds available under the new law will be used for promotion on the domestic market, increases reportedly also are planned for promotion in export markets.

The 1976 season started off on a blue note when the Government announced it would finance exports of just 2.5 million bushels of apples, although 3 million were available for export. The Australian Apple and Pear Corporation allocated this figure to the various States on the basis of previous performance. Then, the European Community also requested that Southern Hemisphere suppliers impose voluntary restraints on shipments so as not to flood European fruit markets. As a result of all these trade dampeners, actual shipments made on an at-risk basis were about 100,000 bushels less than the Government's allocation, as some growers in Tasmania and Victoria left much of their fruit unpicked. Total export shipments—both those made at-risk and those made on a non-at-risk basis—were 3.35 million bushels, 1.3 million less than in 1975 and less than one-half of the 1973 total.

Total exports of pears were about 1.86 million bushels in 1976, or slightly more than the 1.73 million shipped in 1975.

In Southeast Asia, Australian apples encountered strong competition from those from South Africa. Although supplies from that country have been a factor in determining the size of Australian apple sales in the past, in 1976 a substantially larger volume was shipped by South Africa, resulting in extremely low prices, oversupplied markets, and a general lack of confidence among the trade.

Hong Kong was the only Asian market that yielded satisfactory returns. Shipments of apples to the Middle East were mainly confined to Western Australian fruit, as efforts by Tasmania and Victoria to sell in Mideastern markets were of limited success because of high freight costs.

Only small quantities of Australian Granny Smith apples were shipped to the North American market, and, owing to the large shipments from South Africa, Chile, and New Zealand, prices were poor.

Not as good this season as it had been in recent years, the trade in Australian pears also suffered in the United Kingdom and somewhat in Europe, as prices slid from a high early-season level to a much lower one later. The situation was further aggravated when additional fruit was shipped to Europe to avoid flooding other markets where even lower prices prevailed, as in the United States.

In the North American market, heavy losses were incurred by exporters and growers on consignment shipments, while U.S. importers took substantial losses on the 40 percent of those made under forward sales. Larger exports from other Southern Hemisphere suppliers, together with sizable carryovers of domestic pears, were the main factors depressing the market.

Pear sales to Singapore and Malaysia were also disappointing, owing to the increased competition, with shipments totaling just 70 percent of the 1975 figure at substantially lower prices.

Apple exports (on a calendar-year basis) to the United Kingdom were 1.4 million bushels, compared with 1.8 million in 1975, while Ireland again bought no Australian apples. Shipments to West Germany totaled 377,347 bushels, or about half the volume shipped in 1975, and Sweden took 288,487 bushels.

Showing a sharp drop, exports to Denmark fell from 231,038 bushels to 79,789 bushels. Other European destinations, and their takings in bushels were: The Netherlands, 143,637; Belgium, 35,820; Norway, 9,389; France, 4,144. The only European market taking somewhat more fruit than in 1975 was Finland, which accounted for 74,680 bushels of apples.

Apple shipments to the United States amounted to 10,178 bushels, with most going to the east coast.

In contrast, Australian apple exports to the Arabian Gulf countries were sizable despite the strong competition from South Africa, and totaled 126,956 bushels. However, the Singapore and Malaysian markets were not as active as they had been in 1975, and shipments to these two destinations are now estimated at about 450,000 bushels.

Pear exports to the United Kingdom and Europe were somewhat smaller than in the previous year, but the total to these markets was more than offset by increased shipments to other destinations in the Mideast, Asia, and the United States.

Exports of pears to the United Kingdom were 198,241 bushels, while Belgium took 256,667 bushels. Some of the fruit shipped to Belgium was transshipped to other markets, particularly northern France. Sweden took 10,424 bushels; Norway, 16,964; and Finland, 1,848. Other markets in Europe were the Netherlands (171,236 bu) and France (58,605 bu).

Pear exports to the United States totaled 258,799 bushels, about 25,000 more than in 1975. Shipments to Singapore/Malaysia came to 245,000 bushels, while about 300,000 bushels were shipped to Hong Kong. Other miscellaneous markets took about 60,000 bushels, of which 16,200 went to Indonesia and 5,500 to the Middle East.

(Present estimates call for a 1977 apple crop of 17.8 million bushels, while the pear crop may reach 6.1 million.)

—Based on report from
Office of U.S. Agricultural Attaché
Canberra

[1] Bushels and boxes can be used interchangeably. Pears in either measure weigh 45 lb; apples, 42 lb.

Dutch Poultry Production And Exports Increase

THE NETHERLANDS poultry meat production in 1977 is expected to rise almost 3 percent to 329,000 metric tons as exports increase about 2 percent to 246,000 tons. However, the Dutch poultry industry could experience problems if increased exports and lower stocks induce producers to overexpand, thus forcing down prices later in the year.

While total poultry meat exports are rising, the share of Dutch exports to other countries of the European Community (EC)—which is highly protected against exports from countries outside the EC—is dropping from 92 percent in 1975 to 88 percent in 1976 and perhaps even less in 1977. Poultry meat exports rose about 3 percent in 1976 to 240,000 tons against an almost 6 percent increase in value, indicating about a 2 percent jump in average export prices.

Although flock numbers in 1976 decreased 10 percent, egg production is estimated at 5.34 billion, slightly above 1975's level. This rise is a result of heavy culling of less efficient laying hens in late 1975 and early 1976. Dutch egg outturn in 1977 is forecast to climb to almost 5.58 billion as the flock increases about 4 percent.

The Netherlands poultry meat production jumped 3 percent in 1976 to about 320,000 tons after declining 2 percent a year earlier. The bulk of this output again was expected to be broilers/grillers.

Because of an estimated 15 percent drop in poultry meat stocks to about 15,500 tons at the end of 1976, and the recent 13,000-ton contract with the Soviet Union for delivery through April 1977, Dutch broiler producers are optimistic about price developments during the first half of 1977. This, in turn, may lead to more incubations of broiler hatching eggs, thus possibly increasing stocks and weakening prices. Even if incubations are reduced in the year's second half, broiler meat output should rise about 3 percent in 1977.

Earlier projections for the 1977 production of soup hens have been raised because of an increase in the Dutch laying hen flock—which combined with anticipated bigger flocks in some other EC countries may lead to lower egg prices with consequent heavier culling in the Netherlands later in 1977.

Based on incubations through late 1976, turkey meat output is projected to increase slightly although this may slow later if relatively low prices continue as expected. Also, the 1977 duck meat outturn has been revised downward because of marketing problems and low prices in the face of strong competition from East European countries.

Estimates of 1976 Dutch broiler production, lowered since earlier projections—but still 5 percent over 1975's —are now placed at 280,000 tons (ready-to-cook weight). This is about 88 percent of total poultry meat output.

Dutch poultry meat exports—subsidized to markets outside the EC—

"While total poultry meat exports are rising, the share of Dutch exports to the EC . . . is dropping . . ."

during January-November 1976 show an overall 4 percent gain. Exports of whole birds, however, dropped 1 percent to 177,700 tons. But this loss was more than compensated by a significant rise in exports of poultry parts, up from 28,200 tons a year earlier to 37,900 tons. The most important markets for Dutch poultry parts were West Germany (30,600 tons), other EC countries (3,200), Singapore (1,700), and Hong Kong (1,400).

West Germany—the world's largest poultry meat import market protected by the EC levy system applied to non-EC countries—continued to be easily the biggest market for Dutch poultry meat exports, based on data for the first 11 months of 1976.

Sales to West Germany totaled 165,400 tons, a drop of over 2 percent compared with the same period in 1975. Also, Dutch poultry meat exports to other EC countries—except Belgium-Luxembourg—fell almost 50 percent from 1975 levels to just 6,700 tons. The major reasons for this dropoff were reduced exports of live stewers to Italy, and a sharp decrease in the export of whole broilers to the United Kingdom, Italy, and French overseas territories. Exports to Belgium-Luxembourg, however, almost doubled, going from 8,600 tons to 17,100 tons.

Also, subsidized exports of Dutch poultry meat to Iran more than doubled, shooting from 3,900 tons in the first 11 months of 1975 to 8,500 in the same 1976 period, and the USSR took 6,500 tons compared with none the year before. Of these imports, 6,400 tons were broilers/grillers.

Total value of Dutch exports of fresh eggs, hatching eggs, and egg products rose almost 37 percent in 1976, to $174 million, compared with January-November 1975.

Fresh egg exports in this period rose 11.7 percent to over 2 billion eggs, valued at $127 million, an increase of 33 percent. This reflected a 19-percent increase in the average export price of fresh eggs, to 6.3 cents each in 1976.

West Germany continues to be the most important market for Dutch fresh eggs, with imports of 1.7 billion eggs —up from about 1.5 billion in 1975. Exports to France jumped from 8 million eggs to 28.1 million, while those to Belgium-Luxembourg dipped from 21 million to 19.7 million. However, Dutch fresh eggs to other EC countries—primarily the United Kingdom and Italy —dropped dramatically in 1976 from 95.1 million to only 13.9 million. This reflected local oversupply, and import restrictions by Italy.

Meanwhile, Iran became the second leading market by taking 118.4 million eggs, for an increase of 42 percent.

Exports of Dutch hatching eggs in 1976 rose almost 25 million to 119.4 million with almost the entire increase going to West Germany, which took 102.7 million.

Dutch egg-product exports amounted to 22,481 tons, compared with 17,178 tons during the same 11-month period in 1975. Export earnings increased from $23 million, in 1975 to $29 million, but this implied a drop of about 2.5 percent in the average export price for egg products. The increase in export volume went mainly to West Germany, up 3,400 tons to a total of 11,600, and Italy, up 900 tons to 3,100. Other important markets of Dutch egg products were the United Kingdom, 4,400 tons, and Switzerland 1,600 tons.

—Based on report from
Office of U.S. Agricultural Attaché,
The Hague

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WORLD GRAIN STOCKS FORECAST AT RECORD IN 1978

World grain stocks are now projected to reach a record of nearly 208 million metric tons by mid-1978, according to USDA's May report on the world grain situation.[1] This prospective record is the result of a large 1976/77 gain in stocks—presently estimated up 57 million tons from those of 1975/76 plus prospects for another increase in 1977/78.

The global 1977/78 grain crop is projected at 1,089 million tons, down from the 1976/77 record of 1,103 million tons but still the second largest on record. This means that, unless weather conditions in the coming months turn particularly unfavorable, production may exceed total consumption (forecast at 1,053 million tons) by a relatively large amount—present forecasts put the gain at about 36 million tons.

Projected stocks at the end of the 1977/78 season are likely to be the equivalent of about 20 percent of the world's consumption for that season, compared with an estimated 16 percent at the close of 1976/77.

Also, a relatively modest increase in the use of grain for livestock feeding is now forecast for 1977/78. This usage, however, depends largely on the progress of the world economic recovery.

Total world grain supply (excluding rice) is projected to reach a record high as well. The large stock carry-in of an estimated 172 million tons plus the high 1977/78 production are expected to push the global grain supply to 1,261 million tons, about 43 million tons above the 1976/77 level.

[1] **"World Grain Situation: Outlook for 1977/78," FG 6-77, May 2, 1977.**

The 1977/78 world wheat crop is likely to be slightly lower than 1976/77's record, estimated now at 412.9 million tons. The projected decline to 391 million tons is primarily attributed to anticipated reduced planting in several major countries and the expectation that the weather will not be as good as the generally favorable weather of 1976/77. In 1976/77, world wheat stocks rose by an estimated 41 million tons—the largest single-season buildup on record. A further 10-million-ton increase is in prospect for 1977/78.

World wheat consumption in 1977/78 may show a 14-million-ton gain to 386 million tons. This upturn stems partly from the anticipated increase in feed use of wheat, especially in the USSR and to a lesser extent in the United States and Western Europe.

The 1977/78 world wheat trade is expected to recover to about 64 million tons from the sharply reduced global level now estimated at 59 million tons in 1976/77. (These figures exclude intra-EC trade.) Increased imports are expected by the People's Republic of China (PRC), Mexico, and North Africa—areas where drought has hindered crops.

Developments in the PRC alone could have considerable impact on the world wheat situation since the country's 1977/78 imports are now forecast at a record 6.0 million tons, and they could go even higher if the drought in North China continues.

Despite the likely rebound in world trade, U.S. wheat exports are forecast to increase only slightly to 26.9 million tons in 1977/78 as competition for markets remains strong. Competing export countries, especially Canada, will carry sizable wheat stocks into the 1977/78 season.

World coarse grain production in 1977/78 is projected at slightly above the 1976/77 record of an estimated 690 million tons. Smaller crops in the USSR, Canada, and South Africa should be partially offset by larger ones elsewhere—especially in Western Europe, whose outturn is expected to increase 12 million tons to 84.5 million.

In the United States, conditions of spring-planted grain crops have improved, but a crop larger than the 1976/77 record of 174.8 million tons depends record of 174.8 million tons depends on continued improvement in areas where soil moisture reserves remain low.

U.S. coarse grain exports are expected to drop nearly 10 million tons in 1977/78, compared with 57.8 million in 1976/77. This decline is attributed to the combination of lower foreign import demand and increased export supplies in other major exporting countries.

The Soviet Union is the key variable in the 1977/78 world coarse grain trade. The Soviets are expected to have another good grain harvest, so coarse grain imports are projected at a modest 4 million tons. However, if there is a shortfall in the Soviet crop—necessitating more imports—the United States will be most affected, because U.S. exportable supplies are expected to be much more abundant than those in competing countries.

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